

NOTICE TO THE PUBLIC is hereby given that the following popular name and ballot title for a proposed initiated act has been certified by the Arkansas Attorney General. Pursuant to Arkansas Constitution, Amendment 7, any party may contest the popular name and ballot title as an original action with the Arkansas Supreme Court after the Secretary of State has verified the petition as having the sufficient number of qualified electors' signatures to have the measure placed on the ballot at the next general election.

Notice of Certification of Sufficiency
Pursuant to A.C.A. §7-9-107

On February 12, 2008, this office received Opinion No. 2008-027 from the Attorney General for the State of Arkansas whereby he approved and certified a Popular Name and Ballot Title. Pursuant to A.C.A. §7-9-107 the Secretary of State shall also approve and certify the proposed Popular Name and Ballot Title as certified by the Attorney General.

Therefore, I, Charlie Daniels, Secretary of State, State of Arkansas, do hereby approve and certify the sufficiency of the following:

Popular Name

THE NATURAL GAS SEVERANCE TAX OF 2008

Ballot Title

AN ACT PROPOSING THAT EFFECTIVE JANUARY 1, 2009, THE SEVERANCE TAX ON NATURAL GAS EXTRACTED FROM WITHIN THE STATE OF ARKANSAS BE INCREASED FROM THREE-TENTHS OF ONE CENT (3/10 OF \$.01) PER 1,000 CUBIC FEET TO SEVEN PERCENT (7.0%) OF THE MARKET VALUE OF SUCH NATURAL GAS AT THE TIME SUCH NATURAL GAS IS EXTRACTED; CREATING THE "2008 NATURAL GAS SEVERANCE TAX FUND"; PROVIDING THAT ALL TAXES, PENALTIES AND COSTS COLLECTED BY THE DIRECTOR OF THE DEPARTMENT OF FINANCE AND ADMINISTRATION FROM THE SEVERANCE TAX ON NATURAL GAS SHALL BE DEPOSITED IN THE STATE TREASURY INTO THE 2008 NATURAL GAS SEVERANCE TAX FUND AND SHALL BE SPECIAL REVENUES; PROVIDING THAT BASED UPON MONTHLY SEVERANCE TAX REPORTS FILED WITH THE DEPARTMENT OF FINANCE AND ADMINISTRATION UNDER SECTION 26-58-114, THE DIRECTOR SHALL CERTIFY TO THE STATE TREASURER THE AMOUNT OF SEVERANCE TAXES WHICH WOULD HAVE BEEN COLLECTED BY THE STATE OF ARKANSAS FOR SUCH MONTH BASED UPON A SEVERANCE TAX

RATE ON NATURAL GAS OF THREE-TENTHS OF ONE CENT (3/10 PER \$0.01) PER 1,000 CUBIC FEET; PROVIDING THAT BASED UPON SUCH CERTIFICATION, ON THE FIFTH DAY OF THE MONTH FOLLOWING THE MONTH WHEN DEPOSITS INTO THE FUND ARE RECEIVED, THE STATE TREASURER SHALL TRANSFER THAT AMOUNT TO THE FUNDS SET FORTH IN SECTION 26-58-124(B)(1), (B)(2)(C), AND (B)(2)(D) OF THE ARKANSAS CODE, IN THE SAME MANNER AS IT WOULD BE DISTRIBUTED UNDER CURRENT LAW; PROVIDING THAT ALL REVENUES REMAINING IN THE 2008 NATURAL GAS SEVERANCE TAX FUND SHALL ON THE LAST BUSINESS DAY OF EACH CALENDAR MONTH BE DIVIDED AND DISTRIBUTED BY THE STATE TREASURER WITH FIFTY-SIX PERCENT (56%) TO THE STATE HIGHWAY AND TRANSPORTATION DEPARTMENT FUND; TWELVE PERCENT (12%) TO THE COUNTY AID FUND; TWELVE PERCENT (12%) TO THE MUNICIPAL AID FUND; AND TWENTY PERCENT (20%) FOR PUBLIC INSTITUTIONS OF HIGHER EDUCATION IN THE STATE OF ARKANSAS TO BE DISTRIBUTED BY THE DEPARTMENT OF HIGHER EDUCATION AND THE DEPARTMENT OF FINANCE AND ADMINISTRATION TO PUBLIC INSTITUTIONS OF HIGHER EDUCATION IN ARKANSAS IN ACCORDANCE WITH THE FUNDING FORMULA FOR FOUR-YEAR PUBLIC UNIVERSITIES AND TWO-YEAR PUBLIC COLLEGES IN THE STATE OF ARKANSAS (IN SECTIONS 6-61-228 AND 6-61-229 OF THE ARKANSAS CODE), OR SUCH OTHER FUNDING FORMULA FOR FOUR-YEAR PUBLIC UNIVERSITIES AND TWO-YEAR PUBLIC COLLEGES, AS THE GENERAL ASSEMBLY MAY ENACT; PROVIDING THAT ANY EXPENDITURE OR DISTRIBUTION OF MONIES FROM ANY OF THE FUNDS SET FORTH IN THE ACT, OR BY ANY AGENCY FOR HIGHER EDUCATION, SHALL BE MADE ONLY AFTER, AND SUBJECT TO, APPROPRIATIONS ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS; PROVIDING THAT THE ACT SHALL BE EFFECTIVE ON JANUARY 1, 2009; PROVIDING THAT THE GENERAL ASSEMBLY SHALL ENACT ANY AND ALL LAWS NECESSARY TO CARRY OUT THE INTENT OF THE ACT; PROVIDING THAT ANY AND ALL LAWS, OR PARTS THEREOF, IN CONFLICT WITH THIS ACT ARE REPEALED; AND FOR OTHER PURPOSES

BE IT ENACTED BY THE PEOPLE OF THE STATE OF ARKANSAS:

Section 1. Section 26-58-111 (5) of the Arkansas Code is hereby amended to read as follows:

(5) On natural gas, seven percent (7.0%) of the fair market value of such natural gas at the time and point of severance.

Section 2. Section 26-58-124 of the Arkansas Code is hereby amended to read as follows:

(a) All taxes, penalties, and costs collected by the Director of the Department of Finance and Administration under the provisions of this subchapter, except for the tax levied under Section 26-58-111(5) on natural gas, shall be deposited in the State Treasury to the credit of the State Apportionment Fund. All taxes, penalties, and costs collected by the Director of the Department of Finance and Administration under the provisions of Section 26-58-111(5) of this subchapter (on natural gas) shall be classified and distributed in accordance with the provisions of (c) of this section.

(b) On or before the fifth of the month next following the month during which funds under subsection (a) of this section shall have been received by the Treasurer of State, the Treasurer of State shall allocate the funds in the following manner:

(1) Three percent (3%) of the amount of the funds to the General Revenue Fund Account of the State Apportionment Fund to be used for defraying the necessary expenses of the state government; and

(2) Ninety-seven percent (97%) of the amount of the funds, as follows:

(A) (1) All of such amount of severance taxes, penalties, and costs on timber and timber products shall be credited to the State Forestry Fund until there has been distributed to the State Forestry Fund an amount not less than the total amount of severance taxes, penalties, and costs on timber and timber products distributed to the State Forestry Fund during the fiscal year ending June 30, 1980, plus an additional amount of two million dollars (\$2,000,000) of the funds, to be used exclusively for the purpose of carrying out the functions and duties of the Arkansas Forestry Commission.

(ii) (a) The next three hundred fifty thousand dollars (\$350,000) or so much of the funds as may be collected in severance taxes, penalties, and costs on timber and timber products, over and above the amount distributed to the State Forestry Fund during each fiscal year as provided in subdivision (b)(2)(A)(i) of this section, shall be distributed and credited to the University of Arkansas at Monticello Fund.

b) The University of Arkansas at Monticello shall transfer from General Revenue to cash funds any timber severance tax funds as provided in this subdivision (b)(2)(A)(ii), to be set aside therein to be used solely and exclusively for providing additional support for the School of Forest Resources of the University of Arkansas at Monticello, as per the intent of this subdivision (b)(2)(A)(ii).

iii) All of such amount of severance taxes, penalties, and costs on timber and timber products collected during each fiscal year in excess of the amounts required to be distributed for each fiscal year as provided in subdivisions (b)(2)(A)(i) and (ii) of this section shall be distributed to the State Forestry Fund to be used exclusively for the support of carrying out the functions and duties of the Arkansas Forestry Commission;

(B) Seventy-five percent (75%) of the amount of the severance taxes and penalties on diamonds shall be credited to the Arkansas State Parks Trust Fund to be used by the

State Parks, Recreation, and Travel Commission for the preservation and protection of the natural resources of this state;

C) Seventy-five percent (75%) of the amount of the severance taxes and penalties, except those on timber and timber products and except those on diamonds, shall be general revenues and shall be allocated to the various State Treasury funds participating in general revenues in the respective proportions to each as provided by, and to be used for the respective purposes set forth in the Revenue Stabilization Law, § 19-5- 101 et seq.; and

(D) (i) Twenty-five percent (25%) of such amount of the severance taxes and penalties, and costs, except those on timber and timber products, shall be special revenues and shall be allocated to the County Aid Fund.

(ii) On or before the tenth of the month following the end of each calendar quarter, the Treasurer of State shall remit by state warrants to the various county treasurers all funds under subdivision (b)(2)(D)(i) of this section then received by him or her during the quarterly period and transferred to the County Aid Fund in the proportions of the funds as between the respective counties that, as certified by the director to the Treasurer of State, the total severance tax produced from each respective county bears to the total of the taxes produced from all counties.

(iii) Upon receipt of any taxes under this subdivision (b)(2)(D), each county treasurer shall credit fifty percent (50%) of the amount to the county public school fund and fifty percent (50%) of the amount to the county highway fund for use for the same purposes as other moneys credited to the respective future funds.

(c) There is created on the books of the Treasurer of State, the Auditor of State and the Chief Fiscal Office of the State a fund to be known as the "2008 Natural Gas Severance Tax Fund." All taxes, penalties, and costs collected by the Director of the Department of Finance and Administration under the provisions of Section 26-58-111 (5) of this subchapter shall be deposited in the State Treasury to the credit of the 2008 Natural Gas Severance Tax Fund. Such revenues shall be special revenues and shall be allocated as follows:

(1) Based upon the monthly reports filed with the Director of the Department of Finance and Administration pursuant to Section 26-58- 114, the director shall certify to the State Treasurer the amount of natural gas severance tax which would have been collected for such monthly reporting period by the State of Arkansas based upon a severance tax rate for natural gas of three-tenths of one cent ($\frac{3}{10}$ of \$0.01) per one thousand cubic feet (1,000 cu. ft.). On or before the fifth of the month next following the month during which funds under subsection (c) of this section shall have been received by the Treasurer of State, and based upon the certification of the director, the State Treasurer shall allocate and distribute the amount as certified by the director in accordance with (b) (1), (b) (2) (C), and (b) (2) (D) of this section 26-58-124.

(2) All amounts remaining in the 2008 Natural Gas Severance Tax Fund shall be allocated and distributed by the State Treasurer as follows:

(A) On the last business day of each calendar month, the State Treasurer shall divide the fund into the following shares:

(i) fifty-six percent (56%) to the State Highway and Transportation Department Fund;

(ii) twelve percent (12%) to the County Aid Fund;

(iii) twelve percent (12%) to the Municipal Aid Fund; and

(iv) twenty percent (20%) to the Department of Higher Education to be distributed by such department and the Department of Finance and Administration in accordance with the funding formula for four-year universities and two-year colleges in Sections 6-61-228 and 6-61-229 of the Arkansas Code, or such other funding formula as be enacted by the Arkansas General Assembly.

(B) After the 2008 Natural Gas Severance Tax Fund is divided, the State Treasurer shall thereafter promptly distribute such amounts to the foregoing funds and agency.

(C) The expenditure or distribution of monies from any of the foregoing funds or by any agency set forth in this section (c) shall be made only after, and subject to, appropriations acts of the General Assembly of the State of Arkansas.

Section 3. This Act shall be effective for natural gas extracted from the State of Arkansas on or after January 1, 2009.

Section 4 The General Assembly shall adopt and enact any and all laws necessary to carry out the intent of this act.

Section 5. All laws and parts of laws in conflict with this act are hereby repealed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Office of the Secretary of State on this the 15th day of February, 2008.

Charlie Daniels
Secretary of State
State of Arkansas

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